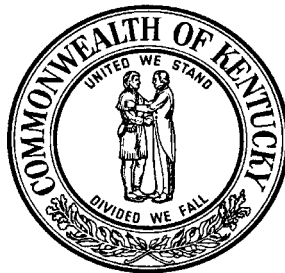


**REPORT OF THE AUDIT OF THE
HENRY COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Logan Brent, Henry County Judge/Executive
Honorable Juanita Lashley, Henry County Clerk
Members of the Henry County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Henry County, Kentucky, for the year ended December 31, 2002.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Henry County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HENRY COUNTY CLERK

For The Year Ended
December 31, 2002

Carpenter, Mountjoy & Bressler, PSC has completed the Henry County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$12,146 from the prior year, resulting in excess fees of \$34,415 as of December 31, 2002. Revenues increased by \$175,604 from the prior year and disbursements increased by \$187,750.

Lease Obligations:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term Of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2002</u>
Computer	3,380	60 months	12/31/2007	\$ 202,800
Copier	274	60 months	11/15/2006	12,858
Copier	84	36 months	11/15/2003	1,932
Copier	134	42 months	2/15/2004	2,144
Software	1,845	60 months	12/1/2007	110,700
Total Leases				<u>\$ 330,434</u>

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable John Logan Brent, Henry County Judge/Executive

Honorable Juanita Lashley, Henry County Clerk

Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Henry County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Virginia Harrod, Henry County Judge/Executive
Honorable Juanita Lashley, Henry County Clerk
Members of the Henry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler

Audit fieldwork completed -
September 5, 2003

HENRY COUNTY
JUANITA LASHLEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Fees For Services		\$	14,480
Fiscal Court			6,392
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	333,573	
Usage Tax		1,502,498	
Tangible Personal Property Tax		982,108	
Notary Fees		2,602	
Lien Release Fees		3,870	
Miscellaneous		3,067	
Licenses-			
Marriage		3,346	
Occupational		50	
Deed Transfer Tax		37,227	
Delinquent Tax		197,765	3,066,106
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	11,788	
Fixture Filings		213	
Leases		98	
Liens and Lis Pendens		3,570	
Releases		13,132	
Wills, Estates Settlements and Accommodations		600	
Bail Bond		126	
Real Estate Mortgages		38,500	
Chattel Mortgages and Financing Statements		52,532	
Powers of Attorney		1,388	
All Other Recordings		3,253	
Charges for Other Services-			
Candidate Filing Fees		3,030	
Postage		1,844	
Copywork		3,805	133,879

The accompanying notes are an integral part of this financial statement.

HENRY COUNTY
 JUANITA LASHLEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Receipts (Continued)

Other:

Refunds	\$	4,993	
Miscellaneous		<u>651</u>	\$ 5,644

Interest Earned			<u>1,240</u>
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Total Receipts			\$ 3,227,741
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	249,610
Usage Tax		1,456,171
Tangible Personal Property Tax		357,116

Licenses, Taxes, and Fees-

Fish and Game		
Delinquent Tax		30,014
Legal Process Tax		15,001
Candidate Filing Fees		<u>1,470</u>
	\$	2,109,382

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	83,806	
Delinquent Tax		21,473	
Deed Transfer Tax		<u>35,365</u>	140,644

Payments to Other Districts:

Tangible Personal Property Tax	\$	501,895	
Delinquent Tax		<u>100,849</u>	602,744

Payments to Sheriff			3,418
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Payments to County Attorney			34,545
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HENRY COUNTY

The accompanying notes are an integral part of this financial statement.

JUANITA LASHLEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 141,260

Materials and Supplies-

Office Supplies 10,967

Other Charges-

Conventions and Travel 263

Dues 1,992

Postage 6,250

Refunds 6,251

Miscellaneous Clerk Expense 3,495

Miscellaneous Office Expense 2,283

Bank Transactions 106

Transfer of Funds 1,230

Capital Outlay-

Office Equipment 19,022

Micro Filming and Indexing 45,839 \$ 238,958

Total Disbursements \$ 3,129,691

Net Receipts \$ 98,050

Less: Statutory Maximum 60,035

Excess Fees \$ 38,015

Less: Expense Allowance 3,600

Excess Fees Due County for 2002 \$ 34,415

Payments to County Treasurer - March 15, 2003 34,415

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of this financial statement.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 6. Leases

The office of the County Clerk is committed to lease agreements with Software Management for computer equipment, Citicorp Vendor for a copier, and Xerox Corporation for a copier. Commitments to the following lease agreements as of December 31, 2003 are:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2002
Computer	3,380	60 months	12/31/2007	\$ 202,800
Copier	274	60 months	11/15/2006	12,858
Copier	84	36 months	11/15/2003	1,932
Copier	134	42 months	2/15/2004	2,144
Software	1,845	60 months	12/1/2007	110,700
Total Leases				<u>\$ 330,434</u>

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants and Consultants

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Dana Mayton, Secretary, Revenue Cabinet
Honorable John Logan Brent, Henry County Judge/Executive
Honorable Juanita Lashley, Henry County Clerk
Members of the Henry County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Henry County Clerk for the year ended December 31, 2002, and have issued our report thereon dated September 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henry County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink on a light-colored background.

Carpenter, Mountjoy & Bressler

Audit fieldwork completed -
September 5, 2003

